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SOUTH COUNTY JOINT PLANNING PROGRAM

City of Morgan Hill City of Gilroy County of Santa Clara

JOBS/HOUSING BALANCE

BACKGROUND REPORT

FOR THE

SOUTH COUNTY JOINT PLANNING PROGRAM

PREPARED BY: JANET HARBIN

COUNTY OF SANTA CLARA

DEPARTMENT OF LAND USE AND DEVELOPMENT

OFFICE OF PLANNING

Adopted: April 17, 1986

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2. JOBS/HOUSING BALANCE

Importance of Jobs/Housing Balance

2.1. The relative balance between the number of jobs and the amount of housing within a city, sometimes referred to as the jobs/housing balance, is a general indicator of the potential opportunity for people to live and work in the same city.

Current City Policies Regarding Jobs/Housing Balance

2.2. City of Morgan Hill policy states that the City will monitor the ratio of jobs to housing within the city as part of the annual General Plan evaluation. As the jobs/housing ratio approaches 1.0, the City Council will reconsider the rate of development and the total acreage of industrial and commercial land.

2.3. City of Gilroy policy states that a balanced community containing an equal proportion of jobs and housing is the City's desired goals, and once achieved, will be maintained through land use controls.

Current County Policies Regarding Jobs/Housing Balance

2.4. Job growth in the South Valley cities should be on a level consistent with the employment needs of local residents.

2.5. The level and location of employment growth should be compatible with the planned housing supply, and the capacity of the transportation systems and other facilities.

2.6. In cities with a planned or existing excess of jobs relative to housing supply, expansion of urban service are boundaries for the purpose of increasing permanent employment should not be approved unless adjustments are made in the city's urban service area of general plan to promote a balance between jobs and housing.

2.7. Urban development should occur only within urban service areas and under city jurisdiction.

Current Situation: Shortage of Jobs

2.8. According to Association of Bay Area Governments (ABAG) projections, based upon the assumption of 1.59 workers per household in Morgan Hill and 1.39 workers per household in Gilroy, there is currently a jobs/housing imbalance within the cities of Morgan Hill and Gilroy, with a housing surplus of approximately 3,500 dwelling units. As a consequence, many South County residents must commute to jobs in the North County.

Future Projections: Shortage of Housing

2.9. Association of Bay Area Governments (ABAG) forecasts indicate that by 1995 there will be an over-correction of the current jobs/housing imbalance in the South County, resulting in a housing shortage of almost 2,800 dwelling units. (Gilroy is predicted to have a shortage of 3,526 dwelling units, based on 1.45 workers per household, while Morgan Hill is expected to have a surplus of 670 dwelling units, based on 1.62 workers per household.)

Consequences of Imbalance in South County

2.10. The potential negative impacts of a job surplus in the South County may include:

a. higher housing costs,
b. increased traffic congestion and longer commute times,
c. increased need for major improvements of roads and highways,
d. higher levels of air pollution,
e. changes in local community character.

2.11. The potential negative impacts of a housing surplus in the South County may include:

a. low tax revenue from residential land use,
b. high cost of providing services for residential development,
c. local residents commuting to other areas for employment, and
d. pressure for rural areas to develop.

Impacts on Adjacent Counties

2.12. If future development in South County results in a significant housing shortage relative to jobs, there will be increased pressure for housing development in nearby counties (e.g., San Benito, Canta Cruz, and Monterey Counties). This is likely to result in a significant increase in workers commuting into South County from these other counties.

Impacts of Coyote Valley Development

2.13. If the Coyote Valley develops as it is currently planned, it may further contribute to the jobs/housing imbalance in South County.

3. JOBS/HOUSING BALANCE

In the South County communities, jobs and housing should be balanced to minimize increases in housing costs, traffic congestion and commute time and to optimize economic balance and capacity to provide services.

3.1. The South County Cities and the County should seek to attain and maintain a reasonable balance between jobs within each City's incorporated area and housing within each City's boundary agreement area through the use of:

a. general plan land use designations,
b. zoning and other land use controls,
c. growth rate controls on housing and job growth,
d. sewer capacity allocations, and
e. policies to attract industry that will hire local residents.

3.2. The South County communities should provide housing at a range of costs that meet the needs of all sectors of the workforce. Housing should be distributed evenly among the communities so as to achieve an appropriate population balance and equitable distribution of public services.

The ratio of jobs to housing should be monitored as development proceeds so that appropriate policies to maintain balance can be implemented, since the three jurisdictions' existing plans, while generally adequate to accommodate the forecast urban growth to 2005, will result in a surplus of jobs relative to housing units.

3.3. The Cities of Morgan Hill, Gilroy and San Jose, and the County should monitor the jobs/housing balance in South County and the Coyote Valley.

3.4. Each city should adjust its respective jobs/housing balance as its City Council directs, while continuing to monitor the cumulative impacts of individual communities' development decisions.

3.5. If actions to correct imbalances are not undertaken or if they are ineffective, the Cities should undertake additional transportation improvements, traffic management programs, and housing programs to offset impacts of higher housing costs on residents with lower incomes.

3.6. The County should retain its policy that urban development and jobs should be provided within cities; the County should not seek to balance jobs and housing within the unincorporated area.

3.7. The South County community should work with the City of San Jose to minimize impacts of San Jose's Coyote Valley development on the jobs/housing balance of South County.

3.8. If cost/revenue imbalances are created by the jobs/housing imbalance in rural areas of South County, the Cities and the County should discuss ways to mitigate the impacts.

BACKGROUND REPORT
FOR THE
SOUTH COUNTY JOINT PLANNING PROGRAM

JOBS/HOUSING REPORT

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COUNTY OF SANTA CLARA
DEPARTMENT OF PLANNING AND DEVELOPMENT
OFFICE OF PLANNING

Revised: March 20, 1986

PREPARED BY
JANET HARBIN

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I. OVERVIEW

In planning their future development, the South County cities must make basic decisions regarding whether they wish to be: bedroom communities with a shortage of jobs relative to housing; employment centers, with a shortage of housing relative to jobs; or balanced communities with a reasonable balance between jobs and housing.

The South County currently has a shortage of jobs relative to the amount of housing in the area. To a significant extent, therefore, the South County serves as a bedroom community for employment centers in North County.

This jobs/housing imbalance, however, is predicted to change within the next ten years. By 1995, in fact, it is projected that the South County will have a significant shortage of housing relative to the number of jobs.

If this over-correction of the current situation does occur, the South County cities of Morgan Hill and Gilroy will experience many of the problems that have occurred in the North County area such as higher housing costs, increased traffic congestion, the need for major improvements in roads and highways, and a change in community character.

The decision that the South County cities make with regard to their jobs/housing balances will effect not only the future quality of life in South County but could have substantial impacts on adjoining counties as well.

II. FINDINGS

Importance of Jobs/Housing Balance

1. The relative balance between the number of jobs and the amount of housing within a city, sometimes referred to as the jobs/housing balance, is a general indicator of the potential opportunity for people to live and work in the same city.

Current Situation: Shortage of Jobs

2. Presently, within the cities of Morgan Hill and Gilroy, there is a jobs/housing imbalance, with a surplus of approximately 3,500 dwelling units. As a consequence, many South County residents must commute to jobs in the North County.

Future Projections: Shortage of Housing

3. Association of Bay Area Governments (ABAG) forecasts indicate that by 1995 there will be an over-correction of the current jobs/housing imbalance in the South County, resulting in a housing shortage of almost 2,800 dwelling units. (Gilroy is predicted to have a shortage of 3,526 dwelling units, while Morgan Hill is expected to have a surplus of 670 dwelling units.)

Consequences of Imbalance in South County

4. The potential negative impacts of a jobs/housing imbalance in the South County may include:
   - o Higher housing costs,
   - o Increased traffic congestion and longer commute times,
   - o Increased need for major improvements of roads and highways,
   - o Higher levels of air pollution, and
   - o Changes in local community character

Impacts on Adjacent Counties

5. If future development in South County results in a significant housing shortage relative to jobs, there will be increased pressures for housing development in nearby counties (i.e. San Benito, Santa Cruz, and Monterey Counties). This is likely to result in a significant increase in workers commuting into South County from these other counties.

Impacts of Coyote Valley Development

6. If the Coyote Valley develops as it is currently planned, it may further contribute to the jobs/housing imbalance in South County.

III. RECOMMENDATIONS

Attain and Maintain Balance

1. South County cities should seek to attain and maintain a reasonable balance between jobs and housing within their city boundaries through the use of:
   a. General Plan land use designations,
   b. Zoning and other land use controls,
   c. Sewer capacity allocations, and
   d. Growth rate controls on housing and job growth

Monitoring Jobs/Housing Growth

2. The cities of Morgan Hill, Gilroy and San Jose, and the County should monitor the jobs/housing balance in South County and the Coyote Valley to determine the cumulative regional impacts of individual communities' development decisions.

3. If actions to correct imbalances are not undertaken or if they are ineffective, the cities should undertake additional transportation improvements, traffic management programs, and housing programs to offset impacts of higher housing costs on residents with lower incomes.

IV. JOBS/HOUSING BALANCE

The relative balance between the number of jobs and the amount of housing within a city, sometimes referred to as the jobs/housing balance, is a general indicator of the potential opportunity for people to live and work in the same city.

A "jobs/housing imbalance" exists when there is a shortage of dwelling units relative to the number of jobs in a given area, or when there is a shortage of jobs relative to the amount of housing.

The location of jobs relative to housing is also important. Housing should be in the general area of the employment to reduce the need for long distance commuting to the workplace.

A jobs/housing imbalance can create negative effects when employment growth occurs in one area of a county, and housing is located in another, far from the employment center. The effects of such an imbalance are longer commute hours, more traffic congestion on highways, increased air pollution, etc.

A balance of jobs and housing doesn't require that each member of the work force must live in the community where he or she is employed (some people choose not to live in the community where they work.) It only requires that the amount of housing be proportionate to the number of jobs so that workers may have a reasonable opportunity to find housing in the communities where they work.

Current Jobs/Housing Situation in South County

Presently, within the cities of Morgan Hill and Gilroy, there is a jobs/housing imbalance, with a surplus of approximately 3,500 dwelling units. As a consequence, many South County residents must commute to jobs in the North County.

According to the Association of Bay Area Governments' (ABAG) "Projection '85", Gilroy's housing surplus is approximately 500 dwelling units, while Morgan Hill's housing surplus is approximately 3,000 units. Gilroy's housing surplus has been decreasing rapidly since 1980, whereas Morgan Hill's surplus has increased slightly since 1980.

V. PROJECTED FUTURE JOBS/HOUSING IMBALANCE IN SOUTH COUNTY

Projected Future Housing Shortage in South County

Association of Bay Area Governments (ABAG) forecasts indicate that by 1995 there will be an over-correction of the current jobs/housing imbalance in the South County, resulting in a housing shortage of almost 2,800 dwelling units. (Gilroy is predicted to have a shortage of 3,526 dwelling units, while Morgan Hill is expected to have an surplus of 670 dwelling units.)

The Morgan Hill statistical area is projected to incur a shortage of 4,100 dwelling units by the year 2005. Gilroy's shortage is projected to occur in 1990 and Morgan Hill will experience a shortage in the year 2000. Taken together, the two areas will have a combined housing shortage of approximately 11,400 in the year 2005.

Table I: South County Cities' Existing and Projected Housing Balance

	1985	1995	2005
Gilroy	+547	-3,526	-7,256
Morgan Hill	+2,975	+670	-4,095
Total	+3,522	-2,856	-11,351

Table I shows the existing and projected shortage (-) or surplus (+) of housing units, relative to jobs in Morgan Hill and Gilroy.

Jobs/Housing Balance in the Unincorporated Areas of South County

The ABAG projections indicate that there is currently a housing surplus of approximately 1,100 dwelling units in the unincorporated areas of South County. By 2005, this is projected to increase to approximately 1,500 units.

This housing surplus in the unincorporated area offsets, to some degree, the housing shortages forecast for the South County cities. However, if balanced development within each city is desired, the housing provided within unincorporated areas should not be included in calculating the cities' jobs/housing balances. Furthermore, the amount of housing that can be provided in the rural unincorporated areas is quite small relative to the potential magnitude of future jobs/housing imbalances.

County policy currently states that urban development should occur within cities. In order for the County to achieve a jobs housing balance within the unincorporated area of South County, it would have to allow commercial and industrial development in unincorporated areas that would be contrary to existing policy.

Significant Assumptions in ABAG Projections

The ABAG projections of future jobs/housing imbalance in South County are based upon at least two significant assumptions. These assumptions are: 1. The current sewage treatment plant capacity constraints will be overcome, and 2. The growth control measures currently in effect will be relaxed.

If either of these assumptions prove not to be valid, the magnitude of future jobs/housing imbalances in South County could be quite different than indicated in the projections above. The exact magnitude of the future jobs/housing imbalance would depend upon which of these assumptions proved to be invalid.

Impacts of Coyote Valley Development

If the Coyote Valley develops as it is currently planned, it may further contribute to the jobs/housing imbalance in South County.

Planned development in Coyote Valley is expected to produce a need for 34,000 dwelling units to accommodate the 50,000 new jobs anticipated. (This includes only the number of new basic jobs, and does not take into account the secondary/local service jobs that the basic job growth would generate.)

San Jose is planning to allow 9,000 dwelling units in the Coyote Valley Urban Reserve, and these may not be built until the late 1990's. This leaves a deficit of 25,000 units to be provided elsewhere. Since San Jose historically has had much more housing than jobs, it is seeking to overcome that deficit by providing more jobs in Coyote and elsewhere in the City. Even so, San Jose is proposing a substantial increase in housing and feels that its existing and potential housing stock fairly meets the needs generated by the potential Coyote jobs. This will not be large enough, however, to meet the total housing need. Since housing costs are lower in the South County, the shortage may aggravate the jobs/housing imbalance in the South County.

Construction of the 9,000 dwelling units in Coyote Valley is contingent upon improvements in Highway 85. Consequently, if these improvements are not made, the 9,000 dwelling units may not be constructed and the potential jobs/housing imbalance may be further worsened.

VI. CONSEQUENCES OF A JOBS/HOUSING IMBALANCE

Potential Negative Impacts of Jobs/Housing Imbalance

The potential negative impacts of a jobs/housing imbalance in the South County may include:

- Higher housing costs,
- Increased traffic congestion and longer commute times,
- Increased need for major improvements of roads and highways,
- Higher levels of air pollution, and
- Changes in local community character

These may reduce the general "quality of life" for South County residents and increase costs for local governments.

Higher Housing Costs

When job growth within an area is significantly greater than growth in the housing supply, unmet housing demand may drive up the price of housing, particularly if the new jobs created are higher paying jobs.

Increased housing prices may not only keep out workers seeking to live near their work, but may also force out existing residents unable to afford higher rents. In addition, it may prevent the children of local residents from finding affordable housing in the area when they enter the labor and housing markets.

More Traffic Congestion, Longer Commute Times, Need for Road Improvements

If the South County develops a surplus of jobs and a shortage of housing, more workers will have to commute in. Conversely, if South County develops a shortage of jobs relative to housing, local residents will have to commute out to jobs in other areas, particularly in the North County and, eventually, Coyote Valley. In either event, the result will be long distance commuting and greater traffic congestion on local roads. A jobs surplus, however, may result in somewhat worse traffic conditions than a housing surplus since the former will bring additional vehicles into the community in addition to the commute traffic of local residents.

If they develop with a significant shortage of either jobs or housing, the cities of Morgan Hill and Gilroy will be in danger of creating the same kinds of transportation problems in the South County that currently afflict the North County. This may necessitate the construction of expensive road improvements, as has happened in the North County as a result of the jobs/housing imbalance that has been created there.

If the South County were to develop with a significant job shortage, road improvements would be needed to facilitate commuting between South County and the North County (e.g Highway 101, Monterey Highway, and Santa Teresa Expressway). If the South County developed with a significant housing shortage relative to jobs, the roads needing improvement would probably be those leading into South County from other adjacent counties (e.g. Highways 101, 152, and 25).

Increased Air Pollution

Land use patterns which necessitate long distance commuting between housing and jobs can result in higher levels of air pollution since motor vehicles are a major source of air pollution. Local governments' control over land use policies is one of the few means they have available to protect air quality. Consequently, by avoiding a jobs/housing imbalance local governments can help protect air quality.

Changes in Community Character

When people live and work in the same city, there is a greater potential to create and maintain a sense of community spirit and involvement. Where residents of a community must commute to other cities for employment, they have less time and fewer opportunities to become involved in local community affairs.

Gilroy and Morgan Hill are fortunate in that they retain much of their small town character, community identity, and spirit. If, however, future development in these cities results in significant jobs/housing imbalances requiring substantial outmigration of residents or inmigration of workers from other areas, this sense of community identity and spirit may be eroded.

Impacts on Adjacent Counties

If future development in South County results in a significant housing shortage relative to jobs, there will be increased pressures for housing development in nearby counties (i.e. San Benito, Santa Cruz, and Monterey Counties). This is likely to result in a significant increase in workers commuting into South County from these other counties.

If nearby counties become bedroom communities for South County employment centers, they may experience increased housing prices, increased service demands, and pressures to improve roads and highways leading from these other counties to employment centers in South County.

Cost/Revenue and Jobs/Housing Balance

A city's jobs/housing balance can directly affect its costs of providing services and the revenue it receives to provide those services.

From a cost/revenue standpoint, residential development generally costs more to provide with urban services and facilities than it generates in tax revenues. Conversely, commercial and industrial development generally generate more tax revenues than they require to serve. Consequently, there is an economic incentive for municipalities to seek to maximize job-producing land uses relative to residential development.

If, however, a city develops a substantial job surplus relative to its housing supply, it is likely to incur additional economic costs (e.g. costs to improve local roadways) as well as non-economic costs (e.g. increased traffic congestion) which may offset the net "profits" from having the job surplus.

VII. ISSUES AND OPTIONS

Bedroom Community, Employment Center, or Balanced Community?

The South County cities have three basic alternatives regarding their future jobs/housing balances. They may either serve as bedroom communities for North County employment centers; become employment centers themselves, drawing workers from other counties; or seek to become balanced communities with equivalent amounts of housing and employment.

If the South County cities choose to create a surplus of housing and be the bedroom community for the North County and the Coyote Valley, the communities will experience increasing traffic problems and service demands, without equivalent increases in revenue to pay for them.

If the South County cities seek to become employment centers, with more jobs than housing, they would have to cope with an even greater increase in traffic congestion as commuting increases from the adjoining counties to the south. Because the supply of housing would be low relative to demand, housing costs would also increase substantially.

If the South County cities seek to balance their employment and housing growth, most of the problems associated with jobs/housing imbalances can be avoided or at least substantially reduced.

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